

**RULES  
OF  
DEPARTMENT OF REVENUE  
INCOME TAX DIVISION**

**CHAPTER 560-7-8  
RETURNS AND COLLECTIONS**

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**560-7-8-.57 Qualified Rural Hospital Organization Expense Tax Credit.**

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Tax Credit.**

(1) **Purpose.** The purpose of this regulation is to provide guidance concerning the administration of the tax credit under O.C.G.A. § 48-7-29.20.

(2) **Coordination of Agencies.** The Georgia Department of Community Health is the state agency responsible for approving rural hospital organizations and administering O.C.G.A. § 31-8-9.1. The Department of Community Health shall maintain a current list of approved rural hospital organizations on its website.

(3) **Definitions.** As used in this regulation, the terms “qualified rural hospital organization expense” and “rural hospital organization” shall have the same meaning as in O.C.G.A. § 48-7-29.20.

(4) **Credit Amount.** The amount of qualified rural hospital organization expense tax credit allowed a taxpayer shall be as follows:

(a) For an individual taxpayer, the credit amount shall not exceed 70% of the actual amount expended or \$2,500, whichever is less.

(b) For an individual taxpayer filing married filing separate, the credit amount shall not exceed 70% of the actual amount expended or \$2,500, whichever is less.

(c) For individual taxpayers filing married filing joint, the credit amount shall not exceed 70 percent of the actual amount expended or \$5,000, whichever is less.

1. Example: Taxpayers, married couple filing joint, request preapproval for the qualified rural hospital organization expense tax credit for calendar year 2017 by electronically submitting Form IT-QRHOE-TP1 through the Georgia Tax Center. On Form IT-QRHOE-TP1 Taxpayers' intended contribution for 2017 is \$7,100, therefore the Department preapproves Taxpayers for \$4,970. Taxpayers make a \$3,000 donation to the rural hospital organization within 60 days of receiving preapproval from the Department and before the end of 2017 (this is the only amount contributed by taxpayers to an approved rural hospital organization in 2017). When taxpayers file their 2017 Georgia income tax return, Taxpayers can only claim \$2,100 qualified rural hospital organization expense tax credit (which is 70% of the actual amount contributed), and the extra \$2,870 that was preapproved but not contributed cannot be claimed by Taxpayers and cannot be carried forward. Any amount of the \$2,100 qualified rural hospital organization expense tax credit claimed but not used on the taxpayers' 2017 Georgia income tax return shall be allowed to be carried forward to apply to the taxpayer's succeeding five years' tax liability.

(d) For a corporation or fiduciary taxpayer, the credit amount shall not exceed 70 percent of the actual amount expended or 75 percent of the corporation's or fiduciary's income tax liability, whichever is less. A fiduciary cannot pass-through the credit to its beneficiaries.

1. Example: Taxpayer, a corporation, requests preapproval for the qualified rural hospital organization expense tax credit for calendar year 2017 by electronically submitting Form IT-QRHOE-TP1 through the Georgia Tax Center. On Form IT-QRHOE-TP1 Taxpayer's intended contribution for 2017 is \$100,000; and Taxpayer's estimated income tax liability for the 2017 tax year is \$100,000; therefore the Department preapproves Taxpayer for \$70,000 qualified rural hospital organization expense tax credit for calendar year 2017. Taxpayer makes a \$100,000 donation to the rural hospital organization within 60 days of receiving preapproval from the Department and before the end of 2017. When Taxpayer files their 2017 Georgia income tax return, Taxpayer's income tax liability for tax year 2017 is \$80,000, Taxpayer can only claim \$60,000 of qualified rural hospital organization expense tax credit (\$60,000 is 75% of their actual Georgia income tax liability for tax year 2017, which is less than \$70,000 (70% of their actual amount contributed)), and the extra \$10,000 cannot be claimed by Taxpayer and cannot be carried forward. Any amount of the \$60,000 qualified rural hospital organization expense tax credit claimed but not used on the taxpayer's 2017 Georgia income tax return shall be allowed to be carried forward to apply to the taxpayer's succeeding five years' tax liability.

(e) Pass-through entities are not allowed the qualified rural hospital organization expense tax credit.

(5) **Credit Cap.** In no event shall the aggregate amount of tax credits allowed under O.C.G.A. § 48-7-29.20 exceed the following amounts:

- (a) For calendar year 2017, \$50 million;
- (b) For calendar year 2018, \$60 million; and
- (c) For calendar year 2019, \$70 million.

**(6) Per Individual Rural Hospital Organization Limitation.**

For each calendar year of the credit, no more than \$4 million of credit shall be preapproved for any individual rural hospital organization. On the day and time any Form IT-QRHOE-TP1 is received for a calendar year that causes the per individual rural hospital organization limitation in this paragraph to be reached, then any subsequent applicants for such individual rural hospital organization shall be denied. There shall be no proration based on the date an application is received. The Department shall notify such individual rural hospital organization if the \$4 million limitation is reached. Such rural hospital organization shall within 15 days of the date of such notification, notify the Georgia Department of Community Health that the \$4 million limitation was reached.

(a) If a taxpayer is denied preapproval for this tax credit by the Department due to the per individual rural hospital organization limitation in paragraph (6) of this regulation, the taxpayer may reapply for preapproval and list a rural hospital organization from the Department of Community Health's list of approved rural hospital organizations that has not reached the per individual rural hospital organization limitation. For purposes of priority in case the credit cap is reached, the taxpayer's date of re-application will govern.

**(7) Individual Rural Hospital Organization Per Tax Type Preapproval Limitations.** Subject to the aggregate limit in

paragraph (5) of this regulation and the per individual rural hospital organization limitation in paragraph (6) of this regulation, the Department shall only preapprove contributions for this tax credit in the following manner:

(a) From January 1<sup>st</sup> to June 30<sup>th</sup> of each calendar year of the credit, the Department shall only preapprove credits for each rural hospital organization from individual taxpayers in an aggregate amount not to exceed \$2 million, and from corporate and fiduciary taxpayers in an aggregate amount not to exceed \$2 million. The Department shall notify such individual rural hospital organization if either \$2 million limit is reached; and

(b) On the day and time any Form IT-QRHOE-TP1 is received for a calendar year that causes the per tax type preapproval limit in paragraph (7)(a) of this regulation to be reached, then any subsequent applicants for such tax type for such individual rural hospital organization shall be denied. There shall be no proration based on the date an application is received.

(c) If an individual taxpayer, or corporate or fiduciary taxpayer is denied preapproval for the tax credit between January 1<sup>st</sup> and June 30<sup>th</sup> of a calendar year, due to the limitation in paragraph (7)(a) of this regulation, then the taxpayer may reapply for preapproval on or after July 1<sup>st</sup> of that calendar year for such individual rural hospital organization but will not be given any priority over other applicants. Such taxpayer may alternatively reapply for preapproval for a different individual rural hospital organization. For purposes of priority in case the credit cap is reached, the taxpayer's date of re-application will govern.

(d) From July 1<sup>st</sup> to December 31<sup>st</sup> of each calendar year of the credit, the Department shall preapprove contributions from individual taxpayers and corporate and fiduciary taxpayers until the annual credit cap is reached.

(e) For preapprovals requested from January 1<sup>st</sup> to June 30<sup>th</sup> of each calendar year of the credit, the Department shall review the reports required by paragraphs (14) and (15) of this regulation. In the event preapproved contributions are not contributed or the rural hospital organization fails to timely file the report required by paragraph (14) of this regulation or the taxpayer fails to timely file the report required by paragraph (15) of this regulation, the Department shall add any such uncontributed or not timely reported amount to the amount available for July 1<sup>st</sup> to December 31<sup>st</sup> of each calendar year of the credit and adjust any used individual rural hospital organization limitation and adjust any used individual rural hospital organization per tax type preapproval limitation. Such uncontributed amount shall be added within a reasonable time of the Department's determination. The Department shall publish such uncontributed additional amount on its website and notify the individual rural hospital organization of such adjusted limits. If such rural hospital organization had previously met the \$4 million limitation, they shall within 15 days of the date of such notification, notify the Georgia Department of Community Health of the additional rural hospital limitation amount. Any taxpayer previously denied preapproval of the credit because the annual credit cap had previously been reached, must reapply as provided in subparagraph (7)(c) of this regulation and will not be given any priority over other applicants.

**(8) Mandatory Electronic Preapproval Application.** The preapproval process allocates the credit caps. A taxpayer seeking preapproval to claim the tax credits under paragraph (4) of this regulation must electronically submit Form IT-QRHOE-TP1 through the Georgia Tax Center. The Department will not preapprove any qualified rural hospital organization expense tax credit where Form IT-QRHOE-TP1 is submitted or filed in any other manner. Each rural hospital organization shall be registered

with the Department to facilitate the web-based preapproval process for Form IT-QRHOE-TP1.

(a) The taxpayer should not file Form IT-QRHOE-TP1 with the Department of Revenue until the taxpayer's recipient rural hospital organization is listed on the Department of Community Health's website. If the taxpayer's recipient rural hospital organization is not listed on the Department of Community Health's website at the time that the Department of Revenue attempts to verify the rural hospital organization's listing, the Department of Revenue shall deny the preapproval request. If at a later date the taxpayer's recipient rural hospital organization becomes listed, the taxpayer will have to submit a new Form IT-QRHOE-TP1 to the Department of Revenue.

(b) The qualified rural hospital organization expense tax credit shall be allowed on a first-come, first-served basis. The date and time the Form IT-QRHOE-TP1 is electronically submitted shall be used to determine such first-come, first-served basis. There shall be no proration based on the date an application is received.

(c) The Department will notify each taxpayer and the taxpayer's selected rural hospital organization of the contribution amount, the tax credit certificate number, and the tax credits preapproved and allocated to such taxpayer within thirty days from the date the Form IT-QRHOE-TP1 was received.

(d) The contribution must be made by the taxpayer within sixty days of the date of the preapproval notice received from the Department and within the calendar year in which it was preapproved.

(e) In the event it is determined that the contributor has not met all the requirements of O.C.G.A. § 48-7-29.20 and this regulation, then the amount of the qualified rural hospital

organization expense tax credit shall not be preapproved or, if already claimed, the preapproved qualified rural hospital organization expense tax credit shall be disallowed. With respect to such disallowed credit, tax and interest shall be due.

(f) Notwithstanding any laws to the contrary, the Department shall not disallow donors' credits for contributions to rural hospital organizations if the Commissioner preapproved a donation for a tax credit prior to the date the rural hospital organization is removed from the Department of Community Health list pursuant to O.C.G.A. § 31-8-9.1, and all such donations shall remain as preapproved tax credits subject only to the donor's compliance with O.C.G.A. § 48-7-29.20(e)(3) and this regulation.

(g) Once the calendar year limit is reached for a calendar year, taxpayers shall no longer be eligible for a credit pursuant to O.C.G.A. § 48-7-29.20, for such calendar year. If any Form IT-QRHOE-TP1 is received after the calendar year limit has been reached, then it shall be denied and not be reconsidered for preapproval at any later date.

(9) **Letter of Confirmation.** Form IT-QRHOE-RHO1 shall be provided by the rural hospital organization to the taxpayer to confirm the contribution within 15 days of the contribution.

(10) **Claiming the Credit.** A taxpayer claiming the qualified rural hospital organization expense tax credit, unless indicated otherwise by the Commissioner, must submit Form IT-QRHOE-TP2 with the taxpayer's Georgia tax return when the qualified rural hospital organization expense tax credit is claimed.

(11) **Carry Forward.** Any credit which is claimed but not used in a taxable year shall be allowed to be carried forward to apply to the taxpayer's succeeding five years' tax liability.



However, any amount in excess of the credit amount limits in paragraph (4) of this regulation shall not be eligible for carry forward to the taxpayer's succeeding years' tax liability nor shall such excess amount be claimed by or reallocated to any other taxpayer.

**(12) Taxpayer Must Add Back Portion of Federal Deduction on State Return if Taxpayer Takes State Credit.** O.C.G.A. § 48-7-29.20(g) provides that no qualified rural hospital organization expense tax credit shall be allowed under O.C.G.A. § 48-7-29.20, with respect to any amount deducted from taxable net income by the taxpayer as a charitable contribution to a bona fide charitable organization qualified under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the taxpayer must add back to Georgia taxable income that part of any federal charitable contribution deduction taken on a federal return for which a Georgia qualified rural hospital organization expense tax credit is allowed under O.C.G.A. § 48-7-29.20.

(a) If a taxpayer's itemized deductions are limited federally (and therefore for Georgia purposes) because their Federal Adjusted Gross Income exceeds a certain amount, the taxpayer is only required to add back to Georgia taxable income that portion of the federal charitable deduction that was actually deducted pursuant to the following formula. The federal charitable deduction that must be added back to Georgia taxable income shall be the amount of the federal charitable contribution relating to the qualified rural hospital organization expense tax credit multiplied by the following ratio. The numerator is the amount of the itemized deductions subject to limitation and allowed as itemized deductions after the limitation is applied. The denominator is the total itemized deductions that are subject to limitation before the limitation is applied.

1. For example. A taxpayer has a \$2,500 charitable contribution relating to the qualified rural hospital organization expense tax credit (credit amount is \$1,750 which is arrived at by multiplying \$2,500 by 70%) and has property taxes of \$1,500 both of which are subject to limitation. The taxpayer also has investment interest expense of \$10,000 (which is not limited). Accordingly, the taxpayer's total itemized deductions before limitation are \$14,000. After applying the federal limitation, the taxpayer is allowed \$13,000 in itemized deductions. As such only \$3,000 (\$13,000 less the \$10,000 investment interest expense which is not limited) of the original \$4,000 charitable deduction and property taxes are allowed to be deducted. Applying the ratio from the subparagraph above, the taxpayer must add back \$1,875 of the charitable contribution to their Georgia taxable income  $(\$2,500) \times (\$3,000 / \$4,000)$ .

(13) **Designation of Contributions.** The tax credit shall not be allowed if the taxpayer directly or indirectly designates the taxpayer's qualified rural hospital organization expense tax credit for the direct benefit of any particular individual, whether or not such individual is a dependent of the taxpayer.

(14) **Reports by Rural Hospital Organization.** Rural hospital organizations must submit a monthly Form IT-QRHOE-RHO2 to the Department of Revenue. The report shall be due within 90 days of the end of each respective month. The report shall be submitted electronically through the Georgia Tax Center. The report shall be prepared on a monthly basis regardless of the fiscal year of the rural hospital organization. If the rural hospital organization fails to timely file the report, the donor taxpayer shall not be allowed the credit. The taxpayer may again request preapproval for such denied donation subject to the credit caps. The report shall include the following for each respective month:

(a) The month and year that is being reported:

(b) The total number and dollar value of individual contributions and qualified rural hospital organization expense tax credits preapproved. Individual contributions include contributions made by those filing income tax returns as single, head of household, married filing separate, and married filing joint;

(c) The total number and dollar value of corporate and fiduciary contributions and qualified rural hospital organization expense tax credits preapproved;

(d) A list of donors (which includes the donor's name, address, and identification number), including the dollar value of each donation, the dollar value of each preapproved qualified rural hospital organization expense tax credit, and each Department issued tax credit certificate number; and

(e) Any other information required by the Commissioner.

**(15) Report by Donor.** Each taxpayer that receives preapproval of the qualified rural hospital organization expense tax credit must report to the Department the amount of the contribution and the Department issued tax credit certificate number and must provide a copy of the Form IT-QRHOE-RHO1 to the Department. Such information shall be submitted within 30 days of the date of the contribution and shall be submitted electronically through the Georgia Tax Center. If the taxpayer fails to timely file the report, the taxpayer shall not be allowed the credit. The taxpayer may again request preapproval for such denied donation subject to the credit caps.

**(16) Preapproval Periods.**

**(a) Beginning of an Approval or Preapproval Period.** Pursuant to O.C.G.A. § 48-2-39, when the approval or preapproval

periods (January 1 through June 30 and July 1 through December 31) for the qualified rural hospital organization expense tax credit begin on a Saturday, Sunday, legal holiday, or day on which the Federal Reserve Bank is closed, such beginning dates shall be postponed until the first day following which is not a Saturday, Sunday, legal holiday, or day on which the Federal Reserve Bank is closed. Preapprovals, which must be requested through the Department's Georgia Tax Center, may be submitted beginning at 8:00AM on such following day.

(b) **First-Come, First-Served Basis.** Any application submitted on a Saturday, Sunday, legal holiday, or day on which the Federal Reserve Bank is closed, shall be considered to have been submitted on such date and time and shall not be prorated based on the date the application is received. This paragraph shall only apply to an application submitted on a day following the beginning date of the approval or preapproval period as provided by subparagraph (16)(a) of this regulation.

(17) **Sunset Date.** O.C.G.A. § 48-7-29.20, the qualified rural hospital organization expense tax credit, shall be repealed on December 31, 2019.

(18) **Effective Date.** This regulation shall be applicable to taxable years beginning on or after January 1, 2017.

Authority: O.C.G.A. §§ 48-2-12 and 48-7-29.20.